

SCHOOL TUITION ORGANIZATION TAX CREDIT CHANGES

Prior Law _____

A School Tuition Organization (STO) Tax Credit is available for Individual and Corporation Income Tax filers. The credit was not available for S corporations, partnerships, limited liability companies, estates or trusts. The credit is equal to 65% of the amount of a voluntary cash or non-cash contribution made by a taxpayer to an STO. 90% of the revenues received by an STO must be used to provide tuition grants to eligible families to allow children to attend a qualified school of their choice.

By December 1 of each year, the Department of Revenue authorizes STOs to issue tax credit certificates for the following tax year by notifying each STO of the amount of tax credits that can be issued for the following tax year. For the 2012 and 2013 calendar years, the total amount of tax credits that could be issued by STOs totaled \$8,750,000.

New Provisions _____

For tax years beginning on or after January 1, 2013, the STO Credit is available to S corporations, partnerships, limited liability companies, or estates or trusts. The Credit will be allowed to the shareholders of S corporations, partners of partnerships, members of limited liability companies, or beneficiaries of estates or trusts based on the individual's pro rata share of earnings of the S corporation, partnership, limited liability company, estate or trust.

The total amount of STO Tax Credits authorized is increased from \$8,750,000 to \$12,000,000 for 2014 and subsequent calendar years.

Section Amended _____

Section 4 of 2013 Iowa Acts House File 625 amends section 422.11S, Code 2013, by adding new subsection 4A. Section 5 amends section 422.11S, subsection 7, paragraph a, subparagraph (2), Code 2013.

Effective Date _____

The change allowing the STO Credit to S corporations, partnerships, limited liability companies, or estates or trusts is retroactive to January 1, 2013, for tax years beginning on or after that date. The increase in the STO Credit to \$12,000,000 is effective for the 2014 calendar year.